HOUSING MARKET OUTLOOK
Barrie CMA

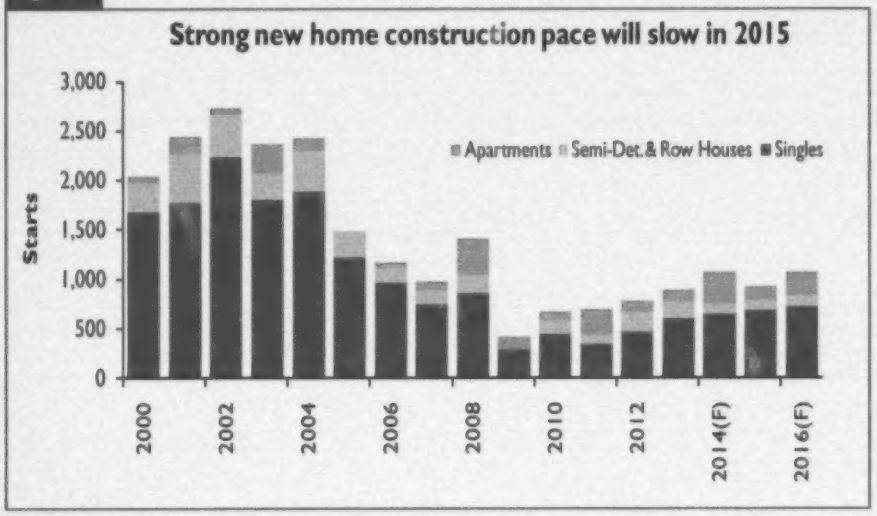
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2014

Highlights

- Starts up in 2014 and 2016, but down due to land constraints in 2015.
- Sales of existing homes to grow at a slower pace in 2014, but growth to gain momentum in 2015 and 2016.
- Strengthening employment will support housing demand.

Figure 1



Source: CHMC forecasts

The forecasts included in this document are based on information available as of October 22, 2014.

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New Homes: Housing Starts will Decrease in 2015

New home starts in the Barrie Census Metropolitan Area (CMA) will be up significantly in 2014. However, the number is expected to be notably lower in 2015. A tight resale market is supporting demand for new housing, but limited land available for development within the City of Barrie is keeping growth in starts low. While some large high-density projects are expected to break ground this year, there will be fewer apartment starts in 2015 before growth resumes in 2016.

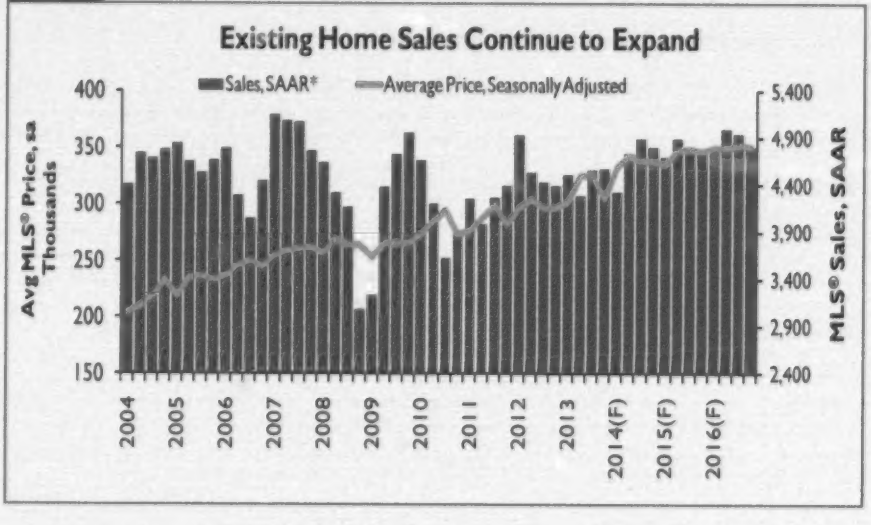
The local economy is an encouraging driver for home buying activity. While employment was weak going into 2014, it had fully recovered by the summer. Employment growth, especially for full time jobs will continue in the second half of the year and through the years 2015 and 2016. Therefore, the pool of potential buyers will expand, given the consensus that mortgages rates will remain at their current low level in the immediate term.

Single-detached homes continue to be the first choice for home buyers and make up the majority of new home construction. Both local households and newcomers to the area tend to buy new single-detached homes. The lower price for a single-detached home is a key factor attracting people to Barrie. The average price of a new single-detached home in Barrie is only 55 per cent of the average price for a new single-detached home in Great Toronto Area (GTA), a major source of migrants to Barrie area. In fact, the average price of a new single-detached home in Barrie is lower than a single-detached home in the resale market in most parts of the GTA. Starts will continue to be fuelled by the increase in demand for single-detached homes. However, the scarcity of land is an issue in 2014, limiting the number of single-detached homes to be built in the City of Barrie. Some builders will look to adjacent areas in Springwater or Innisfil to start new developments. Development of the land annexed from Innisfil will not likely begin before the end of 2016.

Apartment starts will be strong during the last half of the year of 2014 as a large high-density project will break ground. Apartment starts will be down in 2015 since Barrie remains a relatively small market, which is unable to absorb a significant number of apartments every year. Some increase will likely occur in 2016, but the strength of the increase will depend on the timing of Barrie's plan to develop its waterfront. . This is a large project with five towers stretched over 3.5 hectare site, which will transform the face of Barrie's waterfront. This project is designed mainly for seniors and professionals. The waterfront will target particularly potential buyers elsewhere, since demand from local residents is limited.

Stronger employment growth supports demand from first-time buyers who mainly choose an apartment or a townhouse to access homeownership. Many units of these dwelling types are listed at prices which imply their mortgage carrying costs continue to be lower than the average rent for the same dwelling types in Barrie. The average price and the median price of a new single-detached home will remain fairly close to the 2013 level. However, the growth of median price of new single homes will be slightly higher than growth of the average price because there will be fewer homes in the highest price bracket which had pulled up the average price in 2013. Growth in home prices will be less than inflation over in both 2015 and 2016.

Figure 2



Source: CMHC forecsts and CREA.
*Quarterly sales data are seasonally adjusted and multiplied by 4 to show an annual rate. Price data are adjusted for seasonal factors.
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Existing Home Market: Sustained Demand

Sales of existing homes in Barrie (CMA) will register a slight increase of one percent in 2014 while in 2015 sales will be up by over two percent. New listings will be down slightly in 2014, but will recover in 2015.

Harsh weather conditions prevented many potential buyers from looking for houses in the first quarter of 2014 and sales dropped sharply. Sales rebounded in the second quarter since low mortgages rates and improving economic prospects south of the border and in Ontario began supporting demand. As the economy continues to create jobs for the rest of 2014 and in 2015, the pool of potential first time buyers will grow as well, supporting sales in both years. However, the weakness in the sales activity during the first three months of 2014 means the total number of sales in 2014 will be only slightly higher than 2013. The year 2015 will be a year where the economy will gain momentum again. This will help creating more jobs through the year 2015 and somewhat in 2016. This will attract local first time buyers into homeownership as well as migrants who will benefit from the creation of jobs in growing sectors such as health, education, and manufacturing. Barrie keeps attracting buyers, primarily from GTA, motivated by the fact that the prices in Barrie are relatively low and that mortgage carrying costs are still affordable.

On the supply side, new listings recovered strongly by mid-year and will grow somewhat faster than sales for the year as a whole in 2014. However, buyers from outside the CMA are becoming a greater

Figure 3

Source: CMHC forecsts and CREA.
Quarterly sales data are seasonally adjusted and multiplied by 4 to show an annual rate. Price data are adjusted for seasonal factors. MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

presence in the resale market. They add to sales but not local listings. This trend will be a factor limiting growth in new listings in 2015 and 2016. However, the strong price growth in 2014 draw out some listings during 2015, leading to somewhat stronger listing growth that year.

The sales-to-new-listing ratio (SNLR), which is a leading indicator for price increases, will rise in each of 2014, 2015 and 2016. The market will favour sellers throughout this period.

Despite the relatively tight market, rising mortgage rates beginning in late 2015 will slow price growth to a rate closer to income growth.

Rental Market: Vacancy Rate to Fall

The average vacancy rate for privately-initiated rental apartments is expected to decrease slightly below three percent, the level recorded a year ago.

Employment for 15-24 age group is trending up in Barrie. However, most of growth remains in part-time jobs. Those people in this age group, who don't live with their parents, look for rental first. Full-time employment for the 25-44 age group is trending up and will continue to grow as the economy creates more jobs in the remaining months of 2014 and in the year 2015. Concerns about affordability, especially for local first-time buyer households, will diminish as strengthening income growth makes buying a home possible. By 2016, employment growth will slow but rising productivity could sustain wage growth. In-migrants to the City of Barrie for work, school or retirement will fill the empty units and keep the vacancy rate at about the same level as 2014. Some rental projects in the city are designed to attract seniors who want to live independently in a community that offers full amenities. These units are

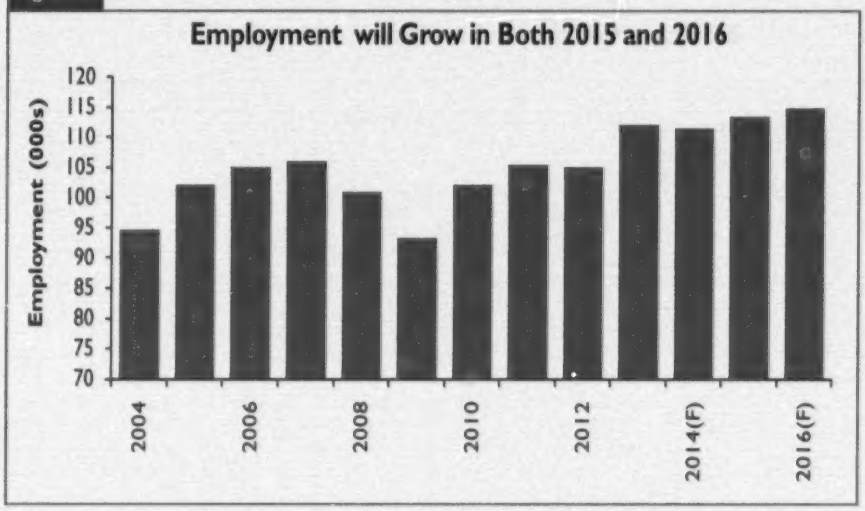
upscale and have rents which are above the current average. A number of units of this type have been added to the rental stock on the waterfront in 2014. Such units will pull up the average rent, but given their relatively small number, the impact will be small. Average rent will rise about 0.7 percent in 2014 and 1.9 percent in 2015.

Economic Trends: Positive Economic Outlook will Support Job creation and Migration

The flow of migrants, mainly from GTA, is an important source for housing demand in Barrie. Also, migrants coming from other regions than Toronto form substantial number of intra-provincial migration to the area. An increase in births is another indicator that young families are coming to Barrie to start families.

A lower Canadian dollar and stronger economic growth in the United States will benefit Barrie. The region has a strong presence of manufacturing industries related to the automotive industry. The increased external demand will raise wages and pull more people into the workforce. According to the Canadian Federation of Independent Business (CFIB), employers feel positive about the economy due in large part to the improving U.S. economy. Full-time employment growth will outstrip part-time employment growth. Business investment is expected to strengthen in 2015, but this will mean that employment growth will slow in 2016 as rising productivity reduces the need for new hiring.

Figure 4



Source: Statistics Canada, CMHC forecasts

Mortgage Rate Outlook

Mortgage rates are expected to remain unchanged until the latter months of 2015

Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to remain unchanged until the latter parts of 2015 and then begin to increase gradually. Gradual increases in mortgage rates from historic lows are not expected to significantly impact housing demand.

According to CMHC's base case scenario for 2014, CMHC expects the one-year mortgage rate to be in the 3.00 to 3.25 per cent range, while the five-year rate is forecast to be within the 5.00 to 5.50 per cent range. For 2015, the one-year mortgage rate is expected to be in the 3.20 to 4.00 per cent range, while the five-year rate is forecast to be within the 5.25 to 6.00 per cent range. For 2016, the one-year mortgage rate is expected to be in the 3.70 to 4.60 per cent range, while the five-year rate is forecast to be within the 5.55 to 6.45 per cent range.

Mortgage rates		
1 Year	Q3 2014	3.14
	Change from Q3 2013	0.00
	2014 (F)	3.00 - 3.25
	2015 (F)	3.20 - 4.00
	2016 (F)	3.70 - 4.60
5 Year	Q3 2014	4.79
	Change from Q3 2013	-0.48
	2014 (F)	5.00 - 5.50
	2015 (F)	5.25 - 6.00
	2016 (F)	5.55 - 6.45

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q3 2014 data

Trends at a Glance

Key Factors and Their Effects on Housing Starts	
Mortgage Rates	Short term mortgage rates are expected to remain at historical low levels which will continue to support housing demand
Employment	Positive economic outlook for The United States and Ontario will support the creation of more jobs opportunities in Barrie CMA in the second half of this year and through 2015 and 2016. Employment growth specifically full time job creation will continue to support demand for all types of housing.
Income	Average weekly earnings growth will increase modestly. A positive real wage growth will have an impact on the demand for home-ownership.
Population	Net migration will remain positive because of the attractiveness and affordability of Barrie housing market compared to adjacent areas.
Resale Market	Resale market conditions will continue to favour sellers, pushing MLS prices to grow but at lower pace.
Rental market	Strong demand for rental accommodations will tighten the rental market
Other	Proximity to Great Toronto Area (GTA) and the housing price differential between GTA and Barrie CMA will stimulate demand for all types of housing.

Forecasts Risks

This outlook is subject to some risks, including:

- Given that Canada is an open economy, there are a number of global market risks to consider as well that could put added pressure on housing market supply imbalances and the ability of households to service their debt, through their impact on household incomes, employment and lending rates, were they to occur.
- While the growth forecast for the U.S. has been upgraded from a disappointing first quarter of 2014, there remains uncertainty in regards to the strength of the post-recession recovery in the U.S. A less optimistic economic growth forecast could weaken Canadian economic performance, particularly exports. While Canadian exports are showing signs of recovery, the strength of the recovery is uncertain and could take longer than currently anticipated.
- Recent upward movements in Canadian consumer prices could lead to pressure to raise interest rates earlier than currently anticipated and would likely translate to rising mortgage rates. However, gradual increases in mortgage rates are not expected to have a significant impact on housing demand.
- Household debt-levels, while stabilizing, continue to be high relative to historical standards and Canadian debt levels relative to income may leave households vulnerable to adverse shocks.
- Launch of the high density project on Barrie waterfront sooner than expected will push the overall housing starts to very high level.

Forecast Summary Barrie CMA Fall 2014								
	2011	2012	2013	2014(F)	% chg	2015(F)	% chg	2016(F)
New Home Market								
Starts:								
Single-Detached	354	474	602	650	8.0	690	6.2	730
Multiples	346	308	289	420	45.3	235	-44.0	345
Semi-Detached	1	6	6	5	-16.7	5	0.0	5
Row/Townhouse	78	179	165	90	-45.5	90	0.0	100
Apartments	267	123	118	325	175.4	140	-56.9	240
Starts - Total	700	782	891	1,070	20.1	925	-13.6	1,075
Average Price ($):								
Single-Detached	416,757	425,776	456,970	457,880	0.2	460,000	0.5	464,500
Median Price ($):								
Single-Detached	363,333	369,990	392,800	394,764	0.5	398,712	1.0	401,901
New Housing Price Index (% chg.) (Ontario)	3.6	4.1	2.1	n/a	-	n/a	-	n/a
Resale Market								
MLS® Sales	4,228	4,576	4,648	4,700	1.1	4,800	2.1	4,900
MLS® New Listings	7,676	7,506	7,453	7,700	3.3	7,650	-0.6	7,600
MLS® Average Price ($)	287,588	299,685	317,883	338,000	6.3	344,800	2.0	350,600
Rental Market								
October Vacancy Rate (%)	1.7	2.0	3.0	2.7	-0.3	2.8	0.1	2.7
Two-bedroom Average Rent (October) ($)	1,001	1,037	1,048	1,055	0.7	1,075	1.9	1,095
Economic Overview								
Mortgage Rate (1 year) (%)	3.52	3.17	3.08	3.00 - 3.25	-	3.20 - 4.00	-	3.70 - 4.60
Mortgage Rate (5 year) (%)	5.37	5.27	5.24	5.00 - 5.50	-	5.25 - 6.00	-	5.55 - 6.45
Annual Employment Level	105,500	105,100	112,100	111,500	-0.5	113,500	1.8	114,800
Employment Growth (%)	3.2	-0.4	6.7	-0.5	-	1.8	-	1.1
Unemployment rate (%)	9.7	8.3	7.0	6.3	-	6.2	-	6.0
Net Migration	565	1,848	1,622	1,692	4.3	1,734	2.5	1,800

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = apartments 3+

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly **Starts and Completions Survey**. Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's **Market Absorption Survey**, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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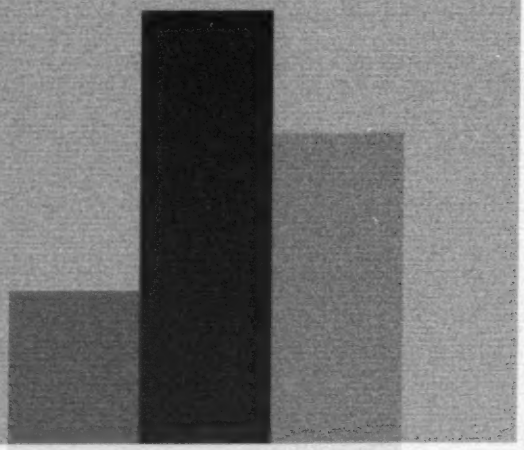

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